

Responses to Sunset Public Hearing Questions for

Investment Advisory Council

Created by Section 8-37-108, *Tennessee Code Annotated*

(Sunset termination June 2013)

1. Provide a brief introduction to the council, including information about its purpose, statutory duties, staff and administrative attachment.

The Investment Advisory Council ("Council") is administratively attached to the Department of Treasury. Pursuant to Tenn. Code Ann. §8-37-109, the Council's purpose is to advise the Tennessee Consolidated Retirement System Board of Trustees ("Board of Trustees") on investment policy. Staff for the Council is comprised of one (1) person, Rhonda Myers, who is a Department of Treasury employee.

2. Provide a list of current members of the council and describe how membership complies with Section 8-37-108, Tennessee Code Annotated. Who appoints members? Are there any vacancies on the council? If so, what steps have been taken to fill the vacancies?

The current members of the Council are as follows: Frederick S. Crown, Jr.; Henry J. Delicata; Susan Logan Huffman; George B. Stadler; and Chuck Webb.

Pursuant to Tenn. Code Ann. §8-37-108(a), the Treasurer shall nominate the members of the Council with the advice and consent of the Board of Trustees. The statute further provides that the Council is composed of "...five (5) persons who, at the time of their appointment, shall have at least five (5) years' professional experience as portfolio manager, economist, or as investment advisor in any field for which investments of Tennessee consolidated retirement system funds are authorized." Tenn. Code Ann. §8-37-108(c) provides that in addition to the five (5) members that the Treasurer is required to nominate, he may nominate two (2) additional members, one (1) of which shall be a racial minority and the other shall be female; the additional nominations shall be done with the advice and consent of the Board of Trustee members. The additional members shall have the same professional qualifications as the five (5) required members. There are no vacancies on the Council.

3. Does the Council's membership include female members? Members of a racial minority? Members who are sixty (60) years of age or older?

The Council has one (1) female member, no members of racial minority, and does have members who are over the age of sixty (60).

4. How many times did the Council meet in fiscal years 2011 and 2012, and how many members were present at each meeting?

The Council met four (4) times in FY 2011 and six (6) times in FY 2012.

<u>Meeting Dates</u>	<u>Number of Council Members Present</u>
August 31, 2010	5
December 2, 2010	5
March 1, 2011	4
June 2, 2011	5
August 23, 2011	3
September 7, 2011	4
December 6, 2011	4
March 6, 2012	5
May 10, 2012	3
June 6, 2012	4

5. What per diem or travel reimbursement do members receive? How much was paid to council members during fiscal years 2011 and 2012?

Pursuant to Tenn. Code Ann. §8-37-108(d), the Council members shall not receive any salaries but shall be reimbursed for the actual expense incurred in the performance of their duties.

<u>Fiscal Year</u>	<u>Travel Expenses</u>
2010/2011	\$539.37
2011/2012	\$352.00

6. What were the Council's revenues (by source) and expenditures (by object) for fiscal years 2011 and 2012?

The Council does not generate revenue, and its expenditures are the reimbursements to Council members for necessary travel, meals or lodging, subject to the maximum amounts and limitations specified in the "State Comprehensive Travel Regulations".

7. Is the Council subject to Sunshine law requirements (Section 8-44-108 et seq., Tennessee Code Annotated) for public notice of meetings, prompt and full recording of minutes, and public access to minutes? If so, what procedures does the Council have for informing the public of its meetings and making its minutes available to the public?

The Council is subject to Sunshine law requirements. The Council informs the public of its meetings by posting a public notice at the Legislative Plaza and the ground floor of the Andrew Jackson Building. The Treasury Department is in the process of developing policies and procedures for the posting public notices on the TN.gov public participation calendar and the Department's website. Should a member of the public wish to be notified by the Department in advance of this Council meeting, the Department will extend to the public the option of being placed on an email list

that will be used to contact interested individuals in advance of a Council meeting. In addition, public notices of all Board/Commission/Council/Committee meetings, including the Investment Advisory Council shall be sent to members of the Department's senior staff so that senior staff members are aware of upcoming Council meetings and can communicate the time, place and meeting agenda to members of the public.

Once the Council's minutes are approved by the Board of Trustees, the minutes are posted on the Tennessee Consolidated Retirement System's website.

8. What policies does the Council have in place to address potential conflicts of interest by the Council members?

The Council is in the process of developing a policy addressing conflicts of interest.

9. Describe the nature and extent of the council's activities and any major accomplishments of the past two years?

The Council meets at least quarterly, and at each meeting investment staff, including the Chief Investment Officer, Deputy Chief Investment Officer and manager of each portfolio provide written reports showing receipts, disbursements, and changes in the assets and liabilities which have occurred since the last meeting. Further, investment performance of each portfolio is reviewed and discussed with the respective portfolio manager. The Council also reviews and discusses with staff proposed changes to the investment policy. The Council aided and advised staff in two separate asset allocation revisions during the past few fiscal years. The first of those changes was completed in the first half of the 2011 calendar year. This change was largely responsible for the superior investment performance of the portfolio versus peer funds and versus what the existing portfolio would have returned. The second portfolio revision was vetted throughout the current fiscal year and has entailed changes to legal statutes and investment policy. It is anticipated that those changes will be completed in the 2013 fiscal year.

In addition to the revisions to the portfolios target positions, the Investment Advisory Council helped evaluate individual real estate transactions. During the past two years, the Investment Advisory Council aided staff in evaluating the purchase of \$39 million and in the sale of \$8 million in real estate.

10. Describe the types of advice the council provides to the Tennessee Consolidated Retirement System's Board of Trustees? (Include examples of issues discussed.) How is the advice provided – for example, through written recommendations, during formal/informal meetings? Does the council recommend specific investments?

The Council provides the Board of Trustees with investment policy recommendations, including recommendations relating to such areas as: viability of real estate investments, asset allocation, securities lending, global equities and hedge funds. The minutes of the Council's meetings are provided to the Board of Trustees. The Council does not recommend specific investments.

11. What reports does the council prepare on its operations, activities, and accomplishments, and who receives these reports?

After each meeting, the Council prepares a report of its meeting activities that is submitted to the Board of Trustees for consideration.

12. Describe any items related to the council that require legislative attention and your proposed legislative changes.

There are no legislative initiatives at this time.

13. Should the council be continued? To what extent and in what ways would the absence of the council affect the public health, safety, or welfare?

Yes, the Council should be continued because it serves the important function of providing recommendations relative to investment policy to the Board of Trustees in order to maintain the solvency of the Tennessee Consolidated Retirement System ("TCRS"). The TCRS is a defined benefit plan for state employees, higher education employees, K-12 public school teachers, and employees of political subdivisions who have elected to participate in the plan. In order to sustain the TCRS for the future retirement of all those affected, the Board of Trustees must authorize prudent investments. The Board of Trustees relies on the Council's advice in order to establish its policy to make the proper investment choices.

14. Please list all council programs or activities that receive federal financial assistance and, therefore are required to comply with Title VI of the Civil Rights Act of 1964. Include the amount of federal funding received by the program/activity.

None.

15. Does your council prepare a Title VI plan? If yes, please provide a copy of the most recent plan.

Not applicable.

16. Does your council have a Title VI coordinator? If yes, please provide the Title VI coordinator's name and phone number and a brief description of his/her duties. If not, provide the name and phone number of the person responsible for dealing with Title VI issues?

Not applicable.

17. To which state or federal agency (if any) does your council report concerning Title VI? Please describe the information your council submits to the state or federal government and/or provide a copy of the most recent report submitted.

Not applicable.

18. Describe your council's actions to ensure that council staff and clients/program participants understand the requirements of Title VI.

Not applicable.

19. Describe your council's actions to ensure it is meeting Title VI requirements. Specifically, describe any council monitoring or tracking activities related to Title VI, and how frequently these activities occur.

Not applicable.

20. Please describe the council's procedures for handling Title VI complaints. Has your council received any Title VI-related complaints during the past two years? If yes, please describe each complaint, how each complaint was investigated, and how each complaint was resolved (or, not yet resolved, the complaint's current status).

Not applicable.

21. Please provide a breakdown of current council staff by title, ethnicity and gender.

Rhonda Myers; Executive Secretary; Caucasian; Female.

22. Please list all council contracts, detailing each contractor, the services provided, the amount of the contract, and the ethnicity of the contractor/business owner.

None.